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FIRST COUNTRY COOPERATION FRAMEWORK FOR PARAGUAY (1998-2001)

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INTRODUCTION

1. This cooperation framework sets forth the content, focus, scope and nature of technical and financial cooperation by UNDP with the Government of Paraguay. In this framework, the Government of Paraguay endorses the content of the advisory note for Paraguay, which proposes for the next three years thematic areas on which UNDP cooperation is to be based: (a) poverty eradication through human development; (b) support for the consolidation of democracy, democratic governance and State reform; and (c) cross-sectoral environmental management.

2. The thematic areas proposed have been chosen on the basis of previous experience in the fifth cooperation cycle and the Government's interest, in formulating its economic and social development programme, in taking into account the Strategic Plan for Social Development formulated by the Government in 1996 with technical support from UNDP.

3. This cooperation framework will last three years (1998-2001) and will be harmonized with the programmes of other United Nations system agencies through rationalization and joint coordination of activities. To this end the Government will take appropriate coordination measures so as to optimize the levels of management required for the effective and efficient receipt of cooperation.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

4. Sustainable human development presents a great challenge in Paraguay. The country, committed since 1989 to a complex process of political, social and economic change, has experienced both significant progress and dangerous backsliding. On the one hand, macroeconomic stability has been attained; since 1992 there has been a new national Constitution defining a new model for the State; there has been effective implementation of various processes for the reform of the State, such as the independence of the judiciary; public freedoms and democratic political participation have been strengthened; educational reform is under way; and a new national health system is being established. Nevertheless, serious difficulties are being encountered in these areas of progress.

5. Since 1982 economic growth has declined drastically; population growth is around 3 per cent, with significant migration from rural to urban areas; half of the population is rural; there are land tenure and productivity problems; there is a low level of education (five years); there is limited health and health services coverage; and poverty is on the increase, particularly in rural areas, as is the unemployment rate. All these factors constitute a complex panorama and create serious obstacles to democratic governance and, as a result, serious problems for sustainable human development.

6. Economic situation. The Paraguayan economy has experienced a marked decline in the rate of growth in gross domestic product (GDP). In the 1970s aggregate annual growth stood at 8.5 per cent, underpinned by the construction

of hydroelectric power stations and the introduction of new agricultural crops (soy and cotton). This rapid growth placed Paraguay in the vanguard in Latin America. Subsequently, between 1976 and 1981, economic growth averaged 10.7 per cent. Since 1982 the economy of Paraguay, in common with the economies of other Latin American countries, has moved into a period of sustained stagnation (2.69 per cent growth over the period 1982-1989), with a slight increase (3.56 per cent) in the democratic transition stage (1989-1995), but without correction of the recessionary trend. Per capita GDP has stagnated over the past 15 years: in 1982 it stood at US$ 1,641, and in 1996 at US$ 1,634.

7. Poverty. There are indications of a significant increase in the level of poverty in the country. According to a study by the Inter-American Development Bank (IDB), 37.5 per cent of the population suffered from poverty in 1980, with an increase to 47.1 per cent by 1992. The situation is worse in rural areas, where the increase was from 48.7 per cent in 1980 to 70.8 per cent in 1992. Rural poverty is one of Paraguay's main problems. Half of the population of Paraguay, 70 per cent of the poor population and 85 per cent of the extremely poor population live in rural areas. Various studies have estimated that some 190,000 rural families live in poverty. Seventeen per cent, or approximately 31,000 families, are landless farm workers. Approximately 105,700 families have between 1 and 5 hectares. The problem of rural poverty affects landholders with less than 10 hectares, predominantly in the cotton cultivation sector.

8. At the same time available data indicate that the urban economy is not creating sufficient jobs for the current urban labour force, which is being expanded by a constant flow of poor people migrating from rural areas. The 1996 Integrated Household Survey found that 24.5 per cent of the urban population lives below the poverty line, and that 5.8 per cent suffers from extreme or absolute poverty. The survey also found that the employment situation has worsened dramatically over recent years, with a substantial shift in unemployment, which increased from 5.5 per cent in 1995 to 8.7 per cent in 1996.

9. Parallel sector of the economy and globalization. Much economic activity in Paraguay takes place in the parallel or unstructured (informal) sector of the economy, which is difficult to quantify being outside the legal framework. Parallel activities include, inter alia, unrecorded border trade, at a level which, according to some estimates, exceeds gross national product. Paraguay must introduce a series of fundamental economic and political reforms to gain full benefit from its current participation in the South American Common Market (MERCOSUR) and to promote its integration in the international economy. In addition to the serious obstacle which the parallel sector represents for the Paraguayan economy and its regional integration, mention should be made of the following obstacles to private sector development with a view to integration in MERCOSUR: (a) lack of sufficient skilled human resources; (b) political uncertainty and weakness of the legal system, which deter local and foreign investment; (c) decline in economic activity from mid-1995 on; and (d) the poor quality and inadequacy of telecommunications services.

10. Transition, development and democratic governance. After 35 years of strongman authoritarian government, in 1989 the country embarked on a process of transition to democracy with significant achievements in the context of its political and institutional development, such as new electoral legislation, a

new national Constitution, independence of the judiciary, holding of two municipal and two general elections, full enjoyment of public freedoms, and other advances.

11. Nevertheless, it is important to bear in mind that the process of structuring and institutional development is taking place in a society in which trends are far from optimal: society and social actors are engaged in a process of consolidating their organization, political parties labour under the weighty inheritance of not having enjoyed freedom or having been able to operate effectively for several decades, while the sharpening of socio-economic divisions gives cause for concern.

12. A major difference between the periods 1989-1997 and 1998-2001 lies in the characteristics and role of government and social actors. In the years 1989 to 1997, political society was in the forefront; in contrast, starting in 1997, the creation of the fundamental equilibrium needed for the economic, social and democratic development of Paraguay must be a responsibility shared by political and civil society. As a result, the agenda for the next few years ahead (1998-2001) must be based on qualitative institutional development. This will entail modernizing the State to improve the efficiency of institutions and the quality of interaction between the State and society so as to tackle together the economic and social constraints impeding democratic development. Further, modernization of the administration of the system of justice is a key element in creating a climate of security and trust at a day-to-day level at this delicate stage.

13. Environment. Paraguay is suffering from accelerated environmental degradation in rural and urban areas, representing a factor for national and world insecurity. One of the main factors in environmental destruction is an agricultural development model based on short-term income, leading to the depletion of natural resources. Large agricultural and livestock workings have caused enormous damage to the ecological system as a result of massive deforestation. In turn, uncontrolled industrialization has led to environmental degradation through pollution as a result of industrial wastes' and pollutants' being discharged into watercourses, destroying living creatures in rivers and streams in a Mediterranean-type country in imperative need of its water resources.

14. It is estimated that deforestation affects some 96,000 hectares a year, imperilling various species of the country's flora and fauna in addition to engendering an abrupt decline in the fertility of the soil. This process has endangered biological diversity. Paraguay currently possesses three of the ecosystems internationally considered to be endangered (savannah, inland Atlantic forest and the Chaco).

15. Gender and development. Women constitute one major segment of Paraguayan society in which there is a lack of equity, even though over the past two decades women have made significant progress, particularly with regard to legal equality with men. Indicators paint disquieting pictures: of every 10 illiterates, 6 are women; there are approximately 100 maternal deaths per 100,000 live births; rather more than a fifth of households have a woman with children at their head; 94.4 per cent of members of the National Congress are

men, and only 5.6 per cent are women; there is only one woman minister in the judicial and executive branches; barely 3.2 per cent of recipients of development loans and subsidies are women.

II. RESULTS AND LESSONS OF PAST COOPERATION

16. For the fifth programming cycle (1992-1996, extended to 1997), pursuant to the guidelines of the Governing Council and Executive Board of UNDP and in accordance with the Government's development objectives, three thematic areas were chosen, namely, (a) modernization of the State; (b) human and social development; and (c) sustainable development of natural resources. To these were added (d) women in development; (e) production; and (f) infrastructure. The selection of these thematic areas was particularly influenced by the adjustment and modernization processes characterizing the dynamic first years of democratic transition, beginning in 1989.

17. The Government of Paraguay, after evaluating the accomplishments during the fifth cycle, feels that the general objectives proposed by the programme have been met, and it therefore recommends that the new cycle incorporate the experience gained and provide continuity to the thematic areas of the previous cycle, in view of its positive results.

18. The main achievements include those relating to State modernization and, in particular, institution-building and human resources training in modern concepts of public administration. In addition, significant headway was made in some aspects of social development, especially in the promotion and encouragement of social participation. Moreover, $108,149,986 were mobilized, surpassing the amount originally anticipated. The national execution modality used in practically all the projects reinforced the achievement of these goals and contributed to the sustainability of the results.

19. As for lessons learnt, it is important to continue the activities of the previous thematic areas, with variations in terms of the emphasis on poverty eradication and on conditions favourable to democratic governance. The latter is particularly relevant, since the focus of State modernization, previously centred on technological aspects and institution-building, is now on the effort to include more sectors and actors in the governing process. As for operational and financial aspects, the Government has found the national execution modality to be an ideal tool for effectively mobilizing resources because it is free of bureaucratic red tape and inertia. The successful mobilization of resources has in turn resulted in a significant internal learning experience for the local office, which has had to adapt, both functionally and operationally, to the efficient provision of the required administrative support.

III. PROPOSED STRATEGY AND THEMATIC AREAS

20. The Government of Paraguay proposes that UNDP assistance in the period 1998-2001 be focused on: (a) the promotion of human development to eradicate poverty, with emphasis on social participation, the advancement of women and the creation of productive jobs; (b) support for the consolidation of democracy,

democratic governance and State reform; and (c) cross-sectoral environmental management. Cooperation will be based on a strategy designed to enhance national capacity for the design, formulation, implementation and management of the programmes included in the thematic areas of cooperation.

21. In particular, support will be given to the formulation of social projects and programmes in line with the goals of the Strategic Social Development Plan; the mobilization of local and external resources; national execution; better coordination of cooperation from bilateral and multilateral donors; strengthening of the role of the resident coordinator and inter-agency coordination; and reinforcement of national capacity to manage and coordinate external cooperation.

22. For UNDP cooperation during the period 1998-2001, the three thematic areas discussed in paragraphs 1 to 20 were selected, namely, (a) poverty eradication, (b) democratic governance and (c) cross-sectoral environmental management. These thematic areas are proposed because of the importance of continuing the successful activities carried out during the previous cycle and of consolidating the results achieved. The current relevance of the thematic areas has been confirmed by a process of participation, consensus and dialogue in Paraguayan society, culminating in the formulation of the Strategic Social Development Plan, which outlines the country's social objectives. Particular attention will be given to bringing the activities into line with the agreements resulting from the major international conferences of the United Nations and improving the coordination of cooperative efforts. The national execution modality will continue to be used for programmes and projects, in view of its demonstrated effectiveness and efficiency in mobilizing resources.

23. The Government proposes to continue promoting economic growth with social equity, seeking at the same time to protect and rehabilitate the environment and expand opportunities for the vulnerable sectors (the poor, women, children and the elderly).

A. Human development for poverty eradication

24. In this area, UNDP will support the changing of production patterns by: (a) gradually enhancing the technical capacity of the agro-food and agro-export sectors; (b) improving management capacity and reinforcing the business sector and farm organizations; and (c) improving commodities markets and consolidating export markets.

25. At the same time, processes and initiatives will be implemented to enhance the living conditions of the rural population, through (a) more highly coordinated and efficient public policies and services for that sector; (b) coordinated expansion of job opportunities for farm workers in the agricultural and agribusiness sector, with the participation of the actors concerned; (c) expansion of non-agricultural job opportunities in rural areas; (d) integration of peasant economies into the process of agricultural modernization; (e) furthering of the management and administrative capacity of rural communities; and (f) promotion of gender equity and the advancement of women.

26. The following targets are expected to be met in the medium and long term: a progressive increase in productivity through public policy-making to stimulate equitable growth, mainly in the most needy sectors, thereby reducing the levels of extreme and basic poverty; a gradual reduction in the unemployment rate; greater citizen participation; a higher level of organization and better management capacity in communities, mainly rural ones; and greater gender equity. The principal short-term results will be: the training of 600,000 small farmers to enable them to fill more jobs in the rural areas and in non-agricultural activities; the devotion of particular attention to training and integration of rural women; the implementation of 1,800 production projects in rural areas, supported by coordinated actions in the private and public sector; the execution of 1,000 micro-projects by communities living below the poverty level; the training of 3,000 rural committees in community self-management and gender-related questions, and the granting of loans to these committees; and the provision of technical assistance to 4,500 families for the production and marketing of crops and livestock.

B. Support for the consolidation of democracy, democratic governance and State reform

27. Support for State modernization and institution-building. Projects will be implemented to: (a) improve the management and coordination capacity of key institutions of the executive branch; (b) promote the modernization of technologies and equipment; (c) train human resources; (d) adapt organic structures to current requirements; (e) support the decentralization process by improving management capacity and modernizing large towns and local governments; (f) support the drafting of laws on human rights and acquired immunodeficiency syndrome (AIDS).

28. Support for modernization of the judiciary. Projects will be carried out to: (a) improve the management capacity of judicial authorities and the institutions of the justice system; (b) streamline procedures by computerizing and systematizing the various levels of jurisdiction; (c) improve the current infrastructure of the judiciary; (d) support the development of training for judges and judicial officers.

29. Promotion of political consensus and agreements. Projects will be implemented to: (a) incorporate into the armed forces a free-flowing dialogue with civic bodies; and (b) promote social debate concerning the country's future, on the basis of a consensus model.

30. Actions in this thematic area will have a significant impact on the delicate process of institution-building in Paraguay. The projects and programmes are expected to bring about a progressive increase in the managerial and coordination capacity of the executive branch; efficient management of the legislature's administrative activities; greater managerial efficiency and organization in judicial proceedings; consolidation of the decentralization process; greater managerial capacity in municipalities and some key departmental governments; greater citizen participation; and development of national agreements and consensuses on the overall goals and objectives of long-term institutional and social development. Some of the expected impacts are:

(a) executive branch: installation of new management and computer systems in the Ministry of Agriculture and Livestock, the Ministry of the Interior, the Office of the Comptroller of the Republic and the Ministry of Foreign Affairs; (b) legislative branch: new system of administrative management of the functioning of the legislature; (c) judiciary: new systems of administrative organization and computerization in the nine divisions of the judiciary and in the State Attorney-General's Office; implementation of the new career judicial service plan; provision of equipment and infrastructure for the nine judicial divisions; and training of 1,200 judicial officers in new management arrangements.

31. Decentralization. (a) Elaboration and implementation of a new tax system in the Municipality of Asunción; technical strengthening of three key departmental governments (Central, Alto Paraná and Concepción) for the formulation and implementation of departmental development policies and plans; (b) Armed forces: training of 120 senior officers, 70 officers in advanced training schools, 260 non-commissioned officers and 1,200 soldiers in the areas of human rights, paradigms of democracy and the role of the military in a State governed by the rule of law.

C. Cross-sectoral environmental management

32. In this thematic area, support will be provided for the development of environmental management capacity, understood to mean the ability of individuals, groups, organizations and institutions to address environmental issues as an integral part of sustainable development efforts.

33. Programmes and projects will focus on incorporating environmental issues into the development process through: (a) preservation and restoration of biological diversity and habitats, maintenance of ecological processes, transfer and application of technologies for reducing urban and industrial pollution and sustainable use of renewable resources; (b) formulation of environmental policies and legislation; (c) establishment of environmental information and monitoring systems; and (d) public education and awareness-raising, and human resources training. In addition, support will be provided to help Paraguay comply with its international obligations under the Convention on Biological Diversity, the Framework Convention on Climate Change and the Convention to Combat Desertification in Those Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa.

34. In view of the cross-sectoral nature of environmental issues, steps will be taken to strengthen and promote the participation of potential partners in project design, execution and follow-up. Such participation will ensure that projects meet local needs and become self-managed, and that communities support them and take responsibility for their implementation, so that they may achieve sustainability and, at the same time, take advantage of existing capacities at the central and local levels.

35. It is expected that actions in this thematic area will help to: (a) preserve globally, regionally and nationally strategic ecosystems by promoting the conservation and sustainable use of biological diversity and the

sustainable development of local communities; (b) ensure compatibility between increased agricultural productivity and the preservation of ecological resources; and (c) improve the quality of life of indigenous peoples and of small- and medium-scale farmers. The main impacts expected are: a 1,500,000- to 3,000,000-hectare increase in globally, regionally and nationally strategic ecosystems, based on regional planning and management for the purpose of conserving and making sustainable use of biological diversity and sustainable development; provision of training in 32 municipalities for the implementation of environmental protection activities; planning and management of 50 micro-basins in the eastern part of the country; and soil studies in five departments for purposes of land use planning.

IV. MANAGEMENT ARRANGEMENTS

A. Implementation arrangements

36. Since the experience acquired during the fifth cycle demonstrated the flexibility and effectiveness of the national execution modality, the Government of Paraguay believes that this modality should continue to be used for the mobilization of resources, both nationally and from multilateral agencies.

37. Moreover, in the Government's view, it is important that UNDP optimize and organize the cooperation provided by other agencies of the United Nations system, so that the services and opportunities offered by the United Nations may be provided in a systematic, orderly and efficient manner.

38. In implementing the national execution modality, it will be necessary: to ensure that UNDP support services for programmes and projects are temporary in nature; to promote the creation and enhancement of national capacity and to maximize its use; to avoid the use of national execution to conduct routine institutional activities; and to promote specific joint programming exercises among the organizations of the system.

B. Monitoring and evaluation

39. Evaluations will be carried out annually and at the end of the programme period. Indicators for gauging success and measuring impact will be defined in cooperation with the Government, as will the chief elements to be considered in the follow-up process. The annual reviews will make it possible to adjust the programme as needed to ensure that it fits the objectives proposed.

40. Periodic reports will continue to be prepared, as will evaluations prepared with the participation of the parties concerned and tripartite reviews to monitor project performance. The Government will support the project evaluations by providing survey results and official statistics on living conditions and by monitoring social indicators.

C. Resource mobilization

41. UNDP intends to mobilize approximately $167,000,000 over a four-year period. This amount includes UNDP core funds in the amount of $941,000. The remainder will come from other UNDP funds such as the Global Environment Facility (GEF), the Montreal Protocol, Capacity 21 and multilateral sources (World Bank and Inter-American Development Bank), as well as government cost-sharing. It should be noted that the Paraguayan Government's contribution of resources for cost-sharing reflects its commitment to the programme and to ensuring the latter's compatibility with national objectives. The programme funds will be allocated by thematic area as follows: human development for poverty eradication, 40 per cent; governance, 30 per cent; and cross-sectoral environmental management, 30 per cent. Detailed information on resource mobilization is contained in the annex.

Annex

RESOURCE MOBILIZATION TARGETS FOR PARAGUAY (1998-2001)
(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated IPF available	(300)	
TRAC 1.1.1	941	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	These percentages are presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
TRAC 1.1.3	162	
	of which:	
Special programme resources	83	
Management resources	79	
SPPD/STS	82	
Subtotal	885[a]	
NON-CORE FUNDS		
Government cost-sharing	160 000	
Sustainable development funds	6 482	
	of which:	
Global Environment Facility	5 728	
Montreal Protocol	366	
Capacity 21	388	
Third-party cost-sharing	-	
Funds, trust funds and other resources	14	
	of which:	
UNIFEM	6	
Trust funds (Poverty Strategies Initiative)	8	
Subtotal	166 496	
GRAND TOTAL	167 381[a]	

[a] Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: IPF = indicative planning figure; SPPD = support for policy and programme development; STS = support for technical services; TRAC = target for resource assignments from the core; and UNIFEM = United Nations Development Fund for Women.